

VZCZCXRO4184
PP RUEHROV
DE RUEHTV #1246 1601206
ZNR UUUUU ZZH
P 091206Z JUN 09
FM AMEMBASSY TEL AVIV
TO RUEHC/SECSTATE WASHDC PRIORITY 2126
INFO RUEHXK/ARAB ISRAELI COLLECTIVE
RHEHNSC/NSC WASHDC

UNCLAS TEL AVIV 001246

SIPDIS
SENSITIVE

NSC FOR PREM KUMAR

E.O. 12958: N/A
TAGS: PREL KWBG IS
SUBJECT: GOI INTERIOR MINISTER WANTS SETTLEMENT EXPANSION

¶1. (SBU) In a June 8 radio interview, Interior Minister and Shas Party head Eli Yishai publicly committed to using his Ministry's funds to promote expansion of Israeli settlements in the West Bank. Prompted by reports that no settlement construction tenders have been issued since PM Netanyahu took office, Yishai expressed concern that settlements were "drying out." He committed to direct money from the MOI budget to give settlers "a normal life" and to assuage fears that existing homes might be destroyed. Yishai proposed to expand settlement boundaries by updating the Blue Line, which delimits a given settlement's municipal area of control and said he would propose legislative amendments that would fully restore national development priority subsidies to all settlements.

¶2. (U) Public reports confirm Embassy's assessment that no new tenders have been issued in the past several months. However, those same reports suggest that rapid expansion of settlement construction under the Olmert government may have led to a temporary glut on the market in some settlements. A June 9 article in Yedioth newspaper lists the following ongoing construction by settlement:

--Ariel/Barkan: 27 new factories; 200 houses in Ariel and 50 in Barkan
--Elkana: 52 houses
--Halamish: 24 houses, though a Peace Now legal action has halted construction for the moment
--Modi'in Illit: 617 houses
--Beitar Illit: 327 houses
--Sansana: 68 houses
--Shilo: 40 houses planned, though the Civil Administration froze action on the tender in mid-May
--Ofra: 10 houses
--Givat Ze'ev: 750 houses expected to be completed by August
--Ma'ale Adumim: 900 houses, most of which have been completed in the past two months

The report also mentions infrastructure work and advanced planning under existing tenders in a number of other settlements. It does not cover construction that has not been approved by the Civil Administration.

¶3. (SBU) Comment: Yishai's ability to move beyond rhetoric is limited. MOD's Civil Administration has sole authority over West Bank settlement boundaries (though MOI does cover construction in East Jerusalem). The MOI also does not control any funds that can be spent outside Jerusalem or Green Line Israel. Nonetheless, Yishai has lost no time in trying to position himself as the leader of the rejectionist bloc within Netanyahu's coalition government, opposing not only GOI commitments to honor the Roadmap settlements freeze, but also rejecting any reopening of final status talks with the Palestinians. This position puts him at odds with the Shas movement's spiritual leader, Rabbi Ovadia Yosef, who has long supported trading land for long-term security.

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